

Unit IV

7. Swaps are private negotiation between two parties to exchange their future cash flow and liability. Examine the statement and discuss the evolution of interest rate swap market in India. **14**
8. Explain the factors influencing option pricing. Discuss the Black-Scholes model of option pricing with example. **14**

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HH493

B.M.S./M.B.A. EXAMINATION, May 2019

(Eighth Semester)

(B. Scheme) (Main & Re-appear)

MBIFM02

FINANCIAL DERIVATIVES

BMS-MBA (5 year Integrated)

Time : 3 Hours

[Maximum Marks : 70

Before answering the question-paper candidates should ensure that they have been supplied to correct and complete question-paper. No complaint, in this regard, will be entertained after the examination.

Note : Attempt *Five* questions in all, selecting at least *one* question from each Unit. All questions carry equal marks.

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Unit I

1. What are the desired qualities of financial derivatives market in India ? How would you discover the effectiveness of financial derivative market in India ? **14**
2. Explain the various participants in financial derivatives market. Also explain role and functions of each participant with their relevance. **14**

Unit II

3. (a) "Stock index futures as the powerful tool of risk management used by mutual funds, pension fund and Investment companies." Examine the statement. **7**
(b) Differentiate currency and interest rate future contract. **7**

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4. (a) The spot price of share of XYZ Company is Rs. 20,714.40 in the beginning of April, 2017. The dividend yield of the company is 3.21% per annum on 1 April. The risk free rate of return is 8.2% and future expiry is two months. Determine the future price of share. **8**
(b) Mark to market system in future market. **6**

Unit III

5. What are the factors influencing the choice of a specific strategy in the derivating market ? Which derivative strategies are beneficial in weak or unstable stock market conditions ? **14**
6. "Options provide right and not obligation to the buyer of an option whereas the writer is always under Obligation, if buyer desire so" explain the statement in the light of the feature of option contract. **14**

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